



U.S. Senate amends budget resolution to include support for Marketplace Fairness Act

On March 22, the U.S. Senate voted 75-24 to approve a budget amendment that supports adoption of legislation that would require so-called "remote sellers" to collect and remit sales tax on sales to customers in participating states. The amendment does not actually implement the Marketplace Fairness Act (MFA), but it represents a strong showing of support in the Senate for passage of the bill. The House budget does not include the MFA amendment, but an identical MFA bill in the House continues to gain cosigners. The House and Senate have yet to schedule a conference committee to work out differences in their budgets, which are actually continuing resolutions that fund the federal government through the end of the fiscal year.

Depending on its effective date, passage of this legislation would generate an estimated \$384 million in Washington State revenue and \$175 million in local revenue during the 2013-15 biennium, increasing to \$631 million state and \$303 million local in the 2015-17 biennium.

Retail sales of spirits increase 21 percent in January over year earlier period

Consumers purchased 21 percent more spirits from retail stores in January 2013 than they did a year earlier under the former state liquor store system. Sales topped 2.5 million liters compared to less than 2.1 million liters in January 2012. The price differential also narrowed to an average of \$23.75 per liter compared to \$21.93 a year earlier. That is equivalent to \$17.81 for a standard 750 milliliter bottle compared to \$16.45 a year earlier, a \$1.36 difference. Over the first eight months of privatization, retail store sales were up 7.6 percent over last year, to 22.1 million liters from 20.5 million. Purchases by bars and restaurants, however, were 10.6 percent lower at 5.6 million liters. Sales are highly volatile by month, so February results due out in mid-April could offset the January gains. See <http://dor.wa.gov/Docs/Reports/2013/SpiritsTax.xls> for details.

Fine tuning helps Department handle annual January influx of tax returns

January is the one month of the year when the tax return filing due dates for monthly, quarterly, and annual filers coincide. This typically means a record number of calls into the Department's toll-free assistance center. In preparation, the Department met with front line staff to gather their improvement ideas. Businesses that get the answers they need quickly are more likely to file accurate tax returns and avoid penalties for making mistakes that result in an underpayment of tax. Improved accuracy reduces the time both the Department and businesses have to spend correcting mistakes made on tax returns.

Improvements included:

- Increasing the number of incoming phone lines to decrease busy signals;
- Providing an estimate of hold times and offering callers the opportunity to leave a message and receive a callback;
- Updating hold messages to be more informative regarding available self-help options;
- Enhancing the phone system to enable employees from the collections outbound call center to take basic calls;
- Making the E-file tax return available online earlier and mailing tax returns to paper filers earlier;

- Encouraging businesses to call early in the month and for those that didn't conduct business to report online or through the automated phone system;
- Providing more information on the website to answer frequently asked questions; and
- Delaying routine mailings that generate calls until a less busy month.

These improvements enabled call center staff to respond more quickly to taxpayers seeking assistance, while serving nearly 8,000 additional callers. These are the results:

	January 2012	January 2013
Total calls answered	33,396	41,313
Calls answered in one minute or less	65%	74%
Average speed to answer	115 seconds	68 seconds

Significant savings to both Department and taxpayers achieved

The Department of Revenue has achieved significant savings for both taxpayers and the Department by leveraging legislative changes that required monthly and quarterly filers to file and pay their taxes electronically.

Since electronic filing began in the late 1990s, the Department had contracted with a bank to out-source the processing of electronic and paper check tax payments for the Department. As the volume of electronic payments grew due to both voluntary and mandatory online filing and payment, it became cost-prohibitive for the Department to continue to out-source this work. In addition, the bank charged taxpayers a \$1 convenience fee for every one-time electronic payment. With the approval of the Office of Financial Management and in partnership with the Office of the State Treasurer, the Department built an internal business application using existing resources to bring the processing of electronic tax payments in-house. By the fall of 2010, the Department had fully deployed all aspects of the electronic payment processing; the savings-to-date have been significant.

Since implementation, the agency's electronic tax payment processing has reduced bank processing fees by more than \$500,000. In addition, taxpayers have saved an additional \$500,000 because they are no longer charged convenience fees. In an effort to expand these savings throughout state government, the Department has shared its electronic payments applications with several other agencies.

Also, with the onset of mandatory online filing and payment, the volume of paper checks declined significantly. Because of this, further savings to the Department have been achieved by discontinuing the contracted lockbox services for excise tax paper check payments. Since bringing this process in-house in mid October 2012, the Department has reduced bank processing fees by \$47,612.

Prosecutions deter tax evasion

Several businesses were criminally charged with felony theft of sales tax and filing fraudulent tax returns or pled guilty to those charges in February and March as part of the Department's ongoing efforts to enforce state law and maintain a high voluntary compliance rate among businesses. This includes a Bothell contractor who pled guilty after paying nearly \$150,000 in restitution including penalties and interest; a Bellingham restaurant owner who allegedly stole at least \$286,000 in sales tax he collected from customers but failed to remit, and a Seattle restaurant company that pled guilty to stealing sales tax and made full restitution of more than \$23,000. In a fourth case, the operator of a now-closed auto wholesaler in Spokane pled guilty to collecting nearly \$180,000 in sales tax on car sales without

reporting the tax to the state. The Department contracts with the Financial Crimes Unit of the Attorney General's Office to investigate and file cases that are often initially identified through Department audits or other compliance efforts.

For more information or If you have questions regarding any of the above topics, please contact Drew Shirk, Assistant Director for Legislation and Policy, at (360) 534-1547 or drews@dor.wa.gov .